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NIO/EUROPE  
22 May 1985

DCI/NIO Conference -- 22 May 1985

1. The PCI and the "Scale Mobile" Referendum

1.. There are some signs that the Italian Communists' decision to test the government's wage policy in a referendum could backfire. [REDACTED] although most observers originally saw the CPI tactic as a serious threat to Premier Craxi's economic program and political status, recent political developments give Craxi a chance to defeat the CPI referendum. [REDACTED]

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- PCI losses in this month's local elections have dimmed their optimism about becoming the majority party and encouraged the others to smell another CPI upset in the wind.
- The PCI leadership is still arguing about its election failure and has not shown much enthusiasm for testing its strength in a vote where even a low turn-out could damage its image.
- Although most workers can expect a wage increase in the event the referendum passes, it is small--about \$14 on average--and the opponents can argue effectively the case for an offsetting inflationary impact. [REDACTED]

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Beyond the short-term byplay of politics, the case centers on Premier Craxi's decision last fall to ignore the CPI's views on a key social policy. Previously, the Communists enjoyed a de facto veto on welfare and social issues and they set the referendum to force Craxi to honor that tacit understanding. [REDACTED]

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Some government officials now think that there is a real chance to embarrass the CPI. But most are convinced the referendum will do more damage than good--and they are not sure of the outcome. If its goes badly, they fear the side effects on inter-party maneuvers to replace President Pertini in July. [REDACTED]

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2. Bulgaria's Zhivkov: The First To Go?

DDI/EURA has produced an interesting memo [REDACTED] which suggests Todor Zhivkov may be the on the way out. [REDACTED] We expect that the first succession in East Europe during the Gorbachev era will have a larger than normal "ripple effect" as Soviet clients interpret the Kremlin's goals. We think there are several spinoffs regarding this particular leadership change in Bulgaria which deserve some thought before the event. [REDACTED]

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- Although no pillar in the Communist Pantheon, Zhivkov is the longest serving ruler in the Warsaw Pact and even a widespread belief that he is vulnerable will radiate insecurity among his peers in other capitals and perhaps encourage their ambitious lieutenants. All, except the Hungarians--who just completed theirs, have party congresses set in 1986 and an atmosphere of pending leadership change could complicate if not disrupt planning for those program-setting confabs.  25X1
- Since Zhivkov's underlings differ most sharply over his snail-like pace in economic reform, their sharpened rivalry to succeed him would most likely entail quarrels over development strategy and could see appeals for support, at least in private, to sympathetic factions in the USSR.  25X1
- We have noted new signs over the past few years of growing Bulgarian impatience--mostly among younger technocrats and intellectuals--with the preeminence of Soviet interests in Bulgaria's policies. A strong trend toward nationalism is the most evident aspect and Zhivkov's personal endorsement has made him a marginally more popular leader and harder to unseat without sewing deeper anti-Soviet resentments.  25X1
- And finally, the hints of Zhivkov's disfavor in Moscow can only loose rumors that Moscow would like Zhivkov--and Bulgaria--to take the brunt of Western resentment for the Papal assassination scandal.  25X1